

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /101 W

----- 116522

R 071038Z AUG 75

FM AMEMBASSY LIBREVILLE

TO SECSTATE WASHDC 6718

UNCLAS LIBREVILLE 1212

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, GB

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. NARRATIVE STATEMENT:

GABON IS CURRENTLY IN THE MIDST OF AN ECONOMIC BOOM, WHICH IS LARGELY FUELED BY GABON'S REVENUES FROM ITS NATURAL RESOURCES SUCH AS OIL, MANGANESE, TIMBER AND URANIUM. IN ADDITION, GABON HAS A LARGE IRON ORE DEPOSIT WHICH IS NOT YET BEING EXPLOITED. COMPANIES THAT ARE EXPLOITING THESE NATURAL RESOURCES ARE REPATRIATING GOOD PROFITS. GABON IS CURRENTLY USING ITS REVENUES TO PURSUE AMBITIOUS PROGRAMS OF ECONOMIC DEVELOPMENT AND IS ANXIOUS TO HAVE DEVELOP INFRASTRUCTURE AND LOCAL INDUSTRY.

IN ORDER TO ENCOURAGE THIS NEEDED FOREIGN INVESTMENT, GABON FOLLOWS A LIBERAL ECONOMIC POLICY. THUS, GABON BECAME A MEMBER OF THE FOUR-COUNTRY UDEAC (TARIFF AND ECONOMIC UNION OF CENTRAL AFRICA) INVESTMENT CONVENTION OF 1965 AND PASSED AN INVESTMENT LAW IN 1967, WHICH PROVIDES DUTY AND TAX BENEFITS TO APPROVED ENTERPRISES.

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WHILE GABON FOLLOWS A POLICY OF GABONIZATION, THIS IS

NOT ONEROUS. NEW ENTERPRISES MUST GRANT 10 PERCENT OF THEIR CAPITAL TO THE GOVERNMENT, AND THE GOVERNMENT RETAINS THE RIGHT TO PURCHASE UP TO 25 PERCENT OF THE COMPANIES' STOCK, WHICH IT HAS STARTED DOING FOR SOME OF THE LARGER FIRMS. IN MINING COMPANIES, THE GOVERNMENT CAN PURCHASE UP TO 60 PERCENT OF A COMPANY'S CAPITAL. COMPANIES DOING BUSINESS HERE MUST BE HEADQUARTERED IN GABON AND MUST REINVEST A PORTION OF THEIR PROFITS IN THE COUNTRY. IN ADDITION, FOREIGN-OWNED CONCERNS MUST GIVE GABONESE CITIZENS MANAGERIAL RESPONSIBILITIES AS QUICKLY AS THIS CAN BE DONE WITHOUT A REDUCTION IN EFFICIENCY.

GABON IS A MEMBER OF THE YAOUNDE II CONVENTION BUT HAS ALSO SIGNED AND RATIFIED THE LOME CONVENTION. THE YAOUNDE II CONVENTION GIVES REVERSE TARIFF PREFERENCES TO EEC COUNTRIES, WHICH IN THE PAST HAS MEANT THAT THE CIF PRICE OF AMERICAN PRODUCTS WAS FIVE TO FIFTEEN PERCENT HIGHER THAN THE PRICE FOR EEC PRODUCTS. THE LOME CONVENTION, HOWEVER, ALLOWS THE ELIMINATION OF REVERSE PREFERENCES. GABON IS CURRENTLY DISCUSSING THIS PROBLEM WITH ITS UDEAC PARTNERS, AND IT IS EXPECTED THAT REVERSE PREFERENCES WILL EVENTUALLY BE ELIMINATED.

SINCE INDEPENDENCE IN 1960, GABON HAS FOLLOWED A FREE AND LIBERAL ECONOMIC POLICY. PRESIDENT BONGO HAS REPEATEDLY STATED THAT GABON HAS NO INTENTION OF NATIONALIZING FOREIGN INVESTMENTS BECAUSE FREE ENTERPRISE MANAGES BUSINESS AND THE ECONOMY BETTER THAN THE STATE. THE PRESIDENT KNOWS THAT GABON NEEDS THE INVESTMENT AND MANAGERIAL EXPERTISE THAT ONLY PRIVATE FOREIGN INVESTMENT CAN BRING AND ENCOURAGES THIS INVESTMENT. AS A RESULT, INVESTMENT INFLOWS ARE INCREASING. IN THE FUTURE, INVESTMENTS WILL CONTINUE TO BE MADE IN THE PRIMARY SECTOR OF THE ECONOMY (OIL, MINERALS AND WOOD) BUT WILL IN ADDITION INCREASINGLY MOVE TO INDUSTRIES SET UP TO PROCESS THESE PRIMARY PRODUCTS IN GABON. CURRENT AMERICAN INVESTMENT IN GABON IS ABOUT DOLS 170 MILLION, CHIEFLY IN THE OIL AND MINERAL SECTORS, AND SHOULD INCREASE RAPIDLY IN THE NEXT FIVE YEARS. IN SHORT, THE EMBASSY BELIEVES THAT GABON IS AND WILL CONTINUE TO BE AN ATTRACTIVE COUNTRY

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FOR AMERICAN INVESTMENT.

2. INVESTMENT STATISTICS:

A. U.S. DIRECT INVESTMENT (BOOK VALUE) AT END OF 1974 (DOLS MILLIONS)

(1) TOTAL, ALL INDUSTRIES	171
(2) MINING AND SMELTING	101

(3) PETROLEUM	68
(4) MANUFACTURING	--
(5) OTHER	2

B. DIRECT INVESTMENT BY ALL COUNTRIES (BOOK VALUE) AT END OF
1974 (DOLS MILLION)

(1) TOTAL, INCLUDING U.S.	1,250
(2) OTHER COUNTRIES	

(A) FRANCE	940
(B) UNITED KINGDOM	50
(C) NETHERLANDS	40

C. DIRECT INVESTMENT IN U.S. BY FOREIGNERS IN 1974:

NONE KNOWN.

SOURCES: PUBLISHED REPORTS, INDUSTRY SOURCES AND EMBASSY
ESTIMATES. STEIGMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, FOREIGN INVESTMENTS, INVESTMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 07 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIBREV01212
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750273-0089
From: LIBREVILLE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750874/aaaacngx.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 14 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 FEB 2003 by ReddocGW>; APPROVED <13 JAN 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS
TAGS: EFIN, EIND, EINV, GB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006